

Message Text

CONFIDENTIAL

PAGE 01 PARIS 20620 272014Z

61

ACTION EUR-25

INFO OCT-01 ADP-00 EURE-00 SSO-00 NSCE-00 INRE-00 USIE-00

CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03 NSAE-00 NSC-10

PA-03 RSC-01 PRS-01 SS-15 AID-20 COME-00 EB-11 FRB-02

TRSE-00 XMB-07 OPIC-12 CIEP-02 LAB-06 SIL-01 OMB-01

STR-08 RSR-01 CEA-02 /152 W
----- 075535

O R 271906Z JUL 73

FM AMEMBASSY PARIS

TO SECSTATE WASHDC IMMEDIATE 2170

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY LONDON

AMEMBASSY ROME

AMEMBASSY THE HAGUE

USMISSION USEC BRUSSELS UNN

USMISSION OECD PARIS

C O N F I D E N T I A L PARIS 20620

E.O. 11652: GDS

TAGS: EFIN, FR

SUBJECT: CALL ON FRENCH MINISTER OF FINANCE GISCARD D'ESTAING

1. DURING A CALL I MADE ON FINANCE MINISTER GISCARD D'ESTAING THIS AFTERNOON, HE EMPHASIZED HI CONCERN WITH THE CURRENT MONETARY SITUATION. HE SAID HE FELT U.S. POLITICAL LEADERS DID NOT UNDERSTAND THE SERIOUSNESS OF THE POLITICAL PROBLEM WHICH THE DECLINE OF THE DOLLAR TO A RATE 10 PERCENT BELOW THE FEBRUARY 12 PARITY WAS CAUSING THE FRENCH GOVERNMENT AND OTHER EUROPEAN GOVERNMENTS TOO. HE MENTIONED A RECENT TALK HE HAD HAD WITH A FRENCH BUSINESSMAN WHO HAD EXPRESSED THE FEAR HE WOULD BE UNABLE TO COMPETE IN THE U.S. MARKET AT THE PRESENT DOLLAR/FRANC EXCHANGE RATE AND WOULD HAVE TO LET OFF SUBSTANTIAL NUMBERS OF PEOPLE. IF UNEMPLOYMENT AND POLITICAL

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 PARIS 20620 272014Z

DIFFICULTIES WERE THUS TO SPREAD IN EUROPE, THAT WOULD MAKE

MONETARY PROBLEM VERY MUCH HARDER TO RESOLVE.

2. I QUESTIONED GISCARD AS TO WHAT ALTERNATIVE HE SAW TO FLOATING RATES IN THE PRESENT TRANSITION PERIOD. GISCARD REPLIED THAT THE IMPORTANT THING WAS FOR THE U.S. TO SHOW WILLINGNESS TO SUPPORT THE DOLLAR. REPEATING THAT HE BELIEVED THE DOLLAR WAS SUBSTANTIALLY UNDER-VALUED PERHAPS AS MUCH AS 10 PERCENT HE SAID HE THOUGHT IT COULD BE SUPPORTED AT THE PRESENT LEVEL THROUGH THE USE OF SWAP FACILITIES WITHOUT GETTING INTO THE MORE COMPLICATED PROBLEM OF CONSOLIDATION OF BALANCES. HE FEELS OBJECTIVE SHOULD BE AT A MINIMUM TO KEEP RATE FROM FALLING BELOW PRESENT LEVEL AND, IF POSSIBLE, TO ACHIEVE SOME RECOVERY - SAY, BY ABOUT FOUR OR FIVE PERCENT ABOVE ITS PRESENT VALUE. HE SAID HE WAS NOT ARGUING WE SHOULD SUPPORT THE DOLLAR ALL THE WAY BACK UP TO THE LEVEL RESULTING FROM THE DEVALUATION. HE FELT THE U.S. HAD MADE A MISTAKE IN TAKING A COMPLETELY "HANDS OFF" ATTITUDE AFTER THE LAST DEVALUATION.

3. I TOOK ISSUE WITH GISCARD'S SUGGESTION THAT THE U.S. WAS INDIFFERENT TO THE STRENGTH OF THE DOLLAR. I NOTED THAT THE U.S. HAD MORE THAN MET THE PRESIDENT'S TARGET OF KEEPING GOVERNMENT EXPENDITURES BELOW \$250 BILLION IN FY 1973 AND THAT THE FINAL BUDGET DEFICIT FOR FY 73 WAS \$14 BILLION RATHER THAN THE \$18 BILLION FORECAST IN JANUARY. I MENTIONED THAT PRESIDENT NIXON HAD EXPRESSED HIS DETERMINATION TO ACHIEVE A BALANCED BUDGET IN FY 1974. I CALLED ATTENTION TO THE STRONG PHASE IV PROGRAM FOR DEALING WITH THE IMMEDIATE INFLATIONARY PROBLEMS. FINALLY I POINTED TO THE SECOND QUARTER TRADE RESULTS AS EVIDENCE THAT OUR EFFORTS WERE BEGINNING TO BEAR FRUIT. GISCARD AGREED THESE WERE IMPORTANT DEVELOPMENTS.

4. IN FURTHER DISCUSSION IT BECAME CLEAR THAT GISCARD FEELS THAT US/EUROPEAN DIFFERENCES OVER THE MONETARY SITUATION CAN HAVE IMPORTANT REPERCUSSIONS ON OTHER ISSUES, PARTICULARLY ON THE EC ITSELF, AND ON DEFENSE AND SECURITY QUESTIONS. RESOLVING MONETARY PROBLEMS WOULD NOT RESOLVE ALL OTHER ISSUES HE SAID, BUT A FAILURE TO RESOLVE THE MONETARY PROBLEMS WOULD CERTAINLY EXACERBATE OTHER ISSUES.

5. IN PARTING GISCARD COMMENTED THAT "IN DIPLOMACY MISTRUST
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 PARIS 20620 272014Z

IS DEEP-ROOTED" AND HOPED WE COULD WORK TOGETHER TO DEAL WITH SUCH MISTRUST BY FULL AND FRANK EXCHANGES. ACCORDINGLY WE AGREED TO PICK UP DISCUSSION AGAIN IN SEPTEMBER.

6. IN LIGHT OF THE SERIOUSNESS OF FRENCH CONCERNS, HOWEVER, I URGED GISCARD TO SPEAK DIRECTLY TO SECRETARY SHULTZ IN WASHINGTON NEXT WEEK TO EXPLORE POSSIBLE SOLUTIONS.
IRWIN

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CURRENCY CONTROLS, FOREIGN EXCHANGE CONTROLS, FOREIGN EXCHANGE RATES, CURRENCIES
Control Number: n/a
Copy: SINGLE
Draft Date: 27 JUL 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: thigpegh
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973PARIS20620
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS IRWIN
Errors: N/A
Film Number: n/a
From: PARIS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t1973077/aaaaafby.tel
Line Count: 115
Locator: TEXT ON-LINE
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: thigpegh
Review Comment: n/a
Review Content Flags:
Review Date: 23 AUG 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <23-Aug-2001 by smithrj>; APPROVED <23-Oct-2001 by thigpegh>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: CALL ON FRENCH MINISTER OF FINANCE GISCARD D'ESTAING
TAGS: EFIN, FR
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005